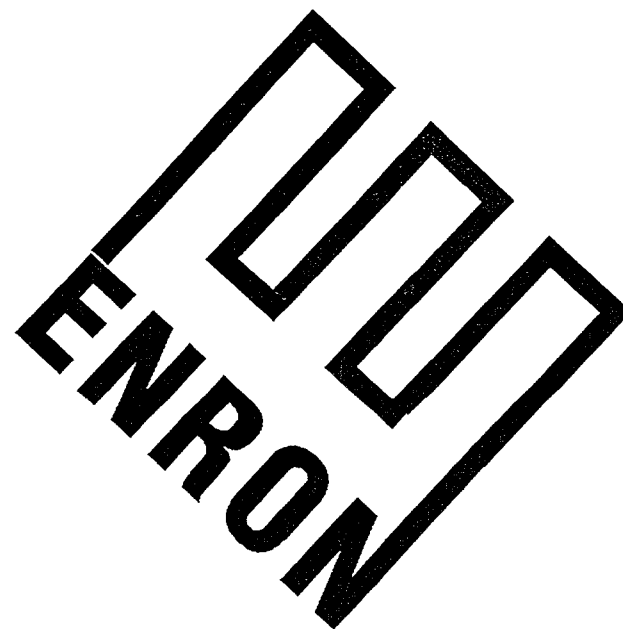


Project Summer

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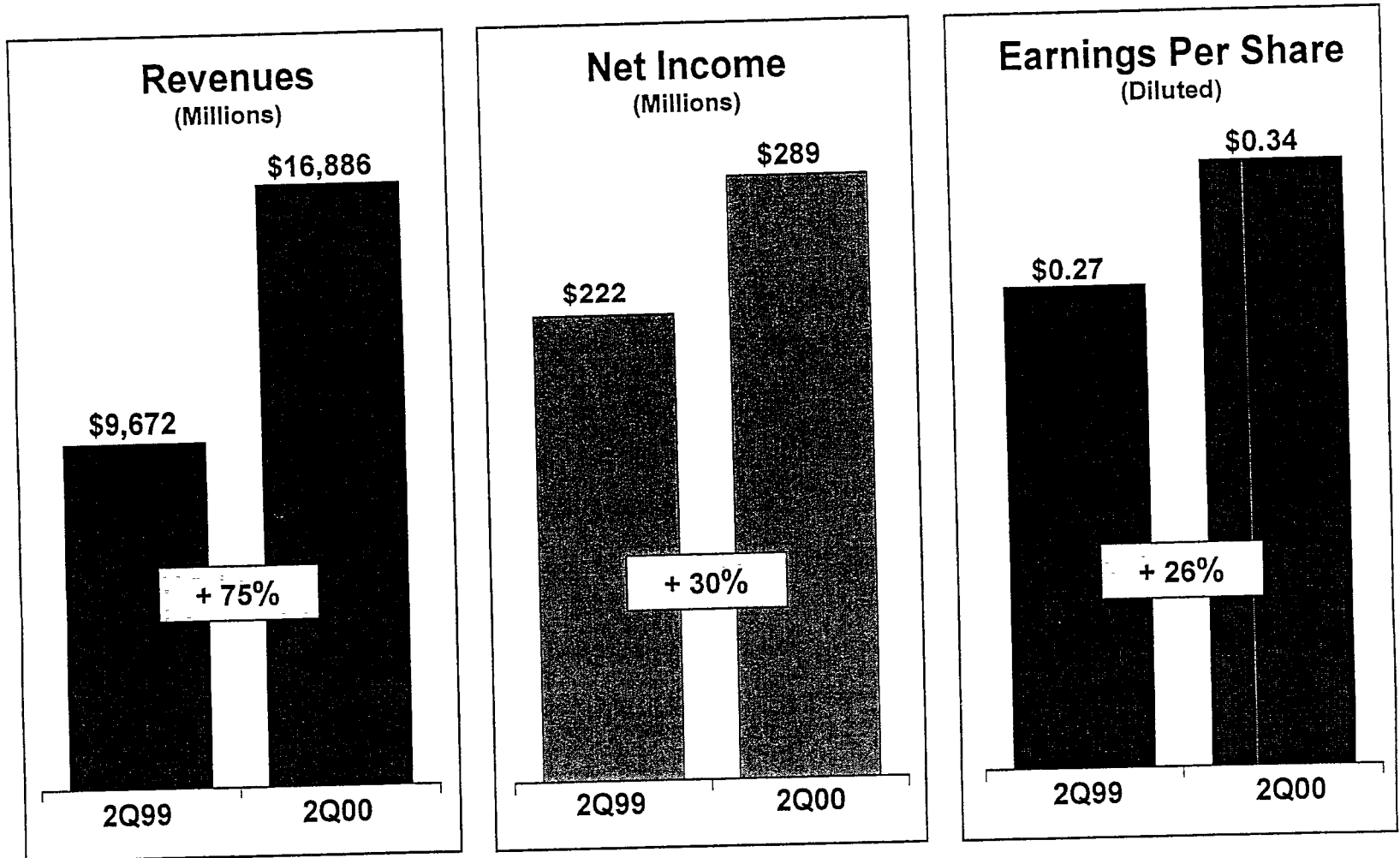


Business Update

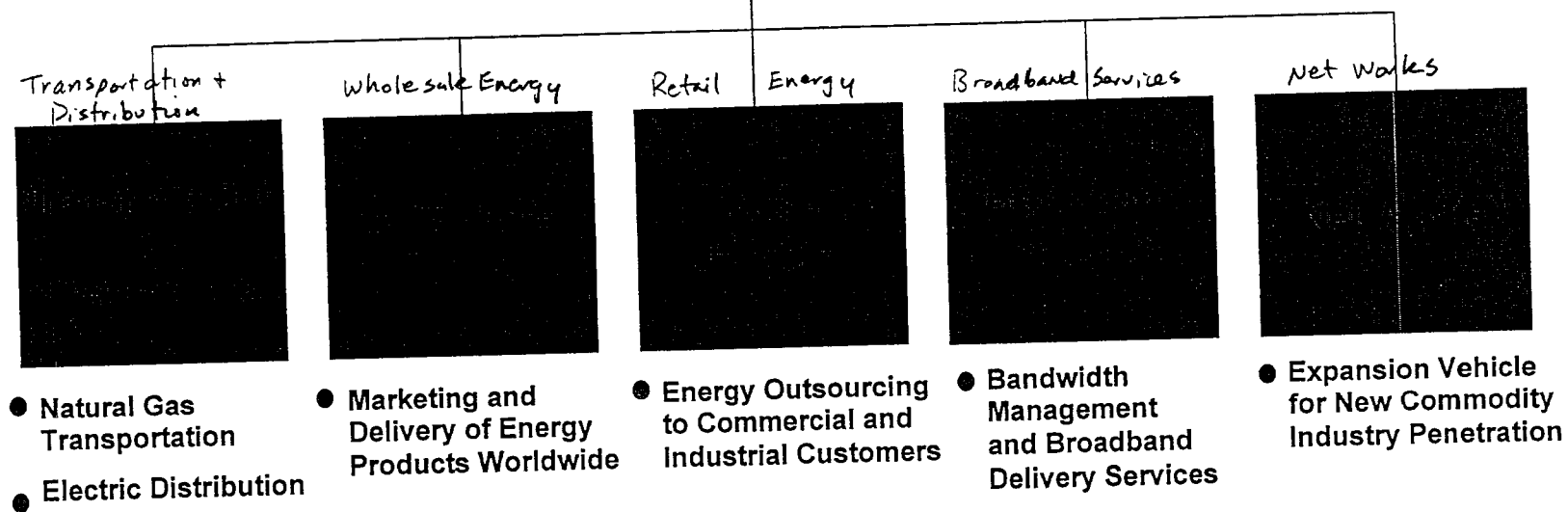
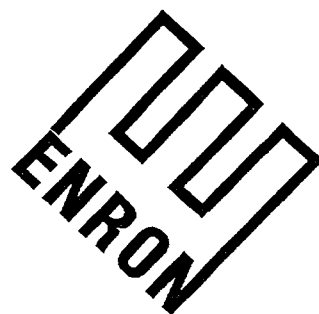
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Enron

Second Quarter Performance

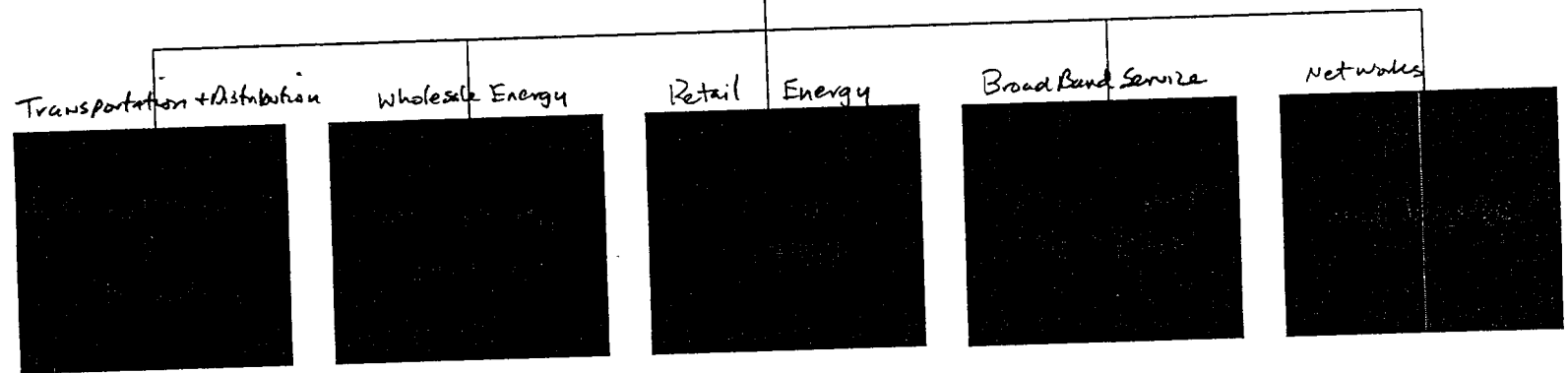


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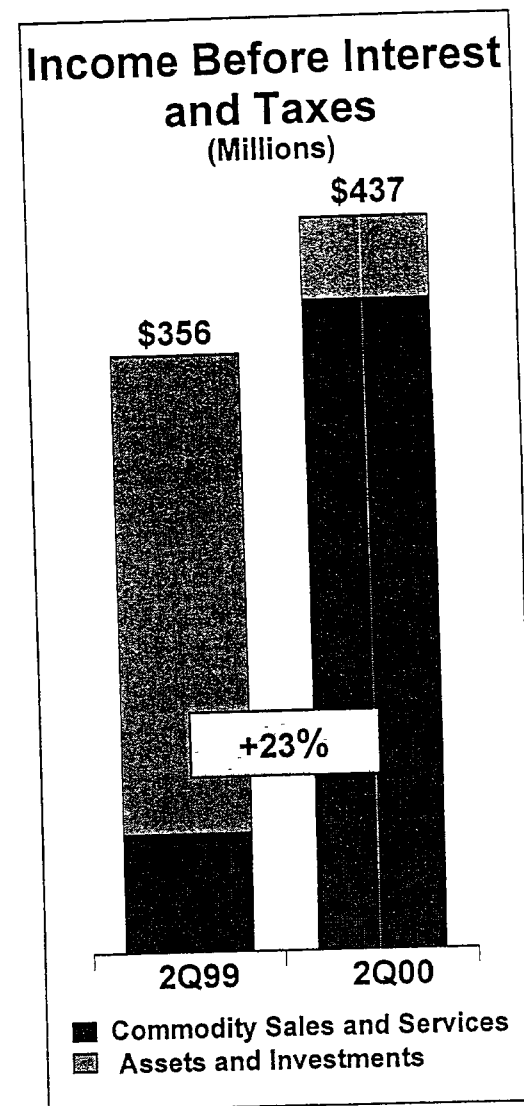
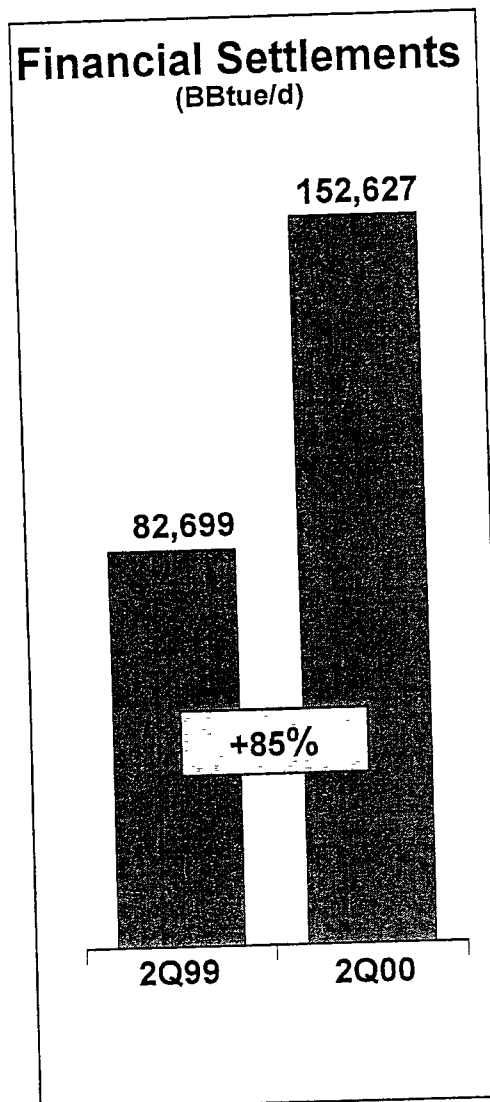
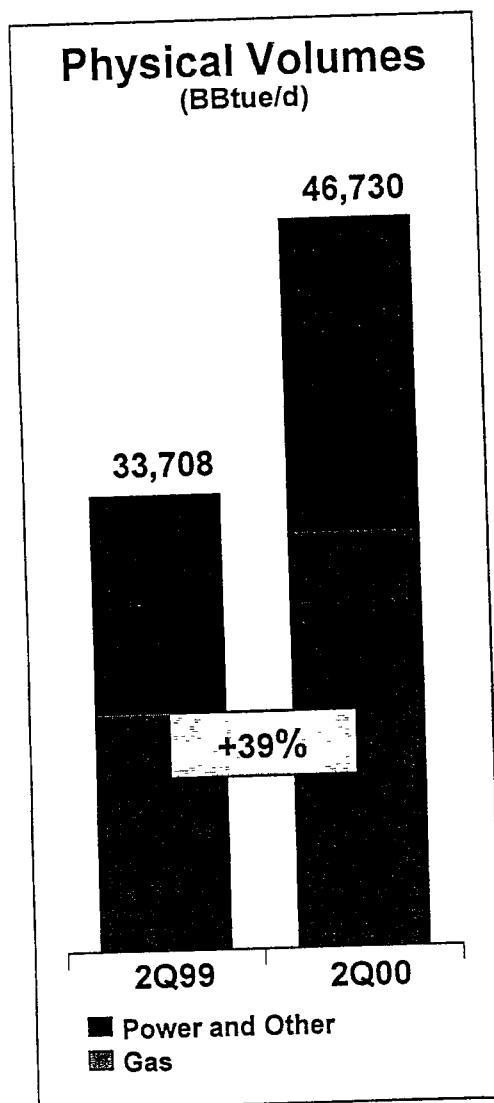


- Marketing and Delivery of Energy Products Worldwide

EC004391541

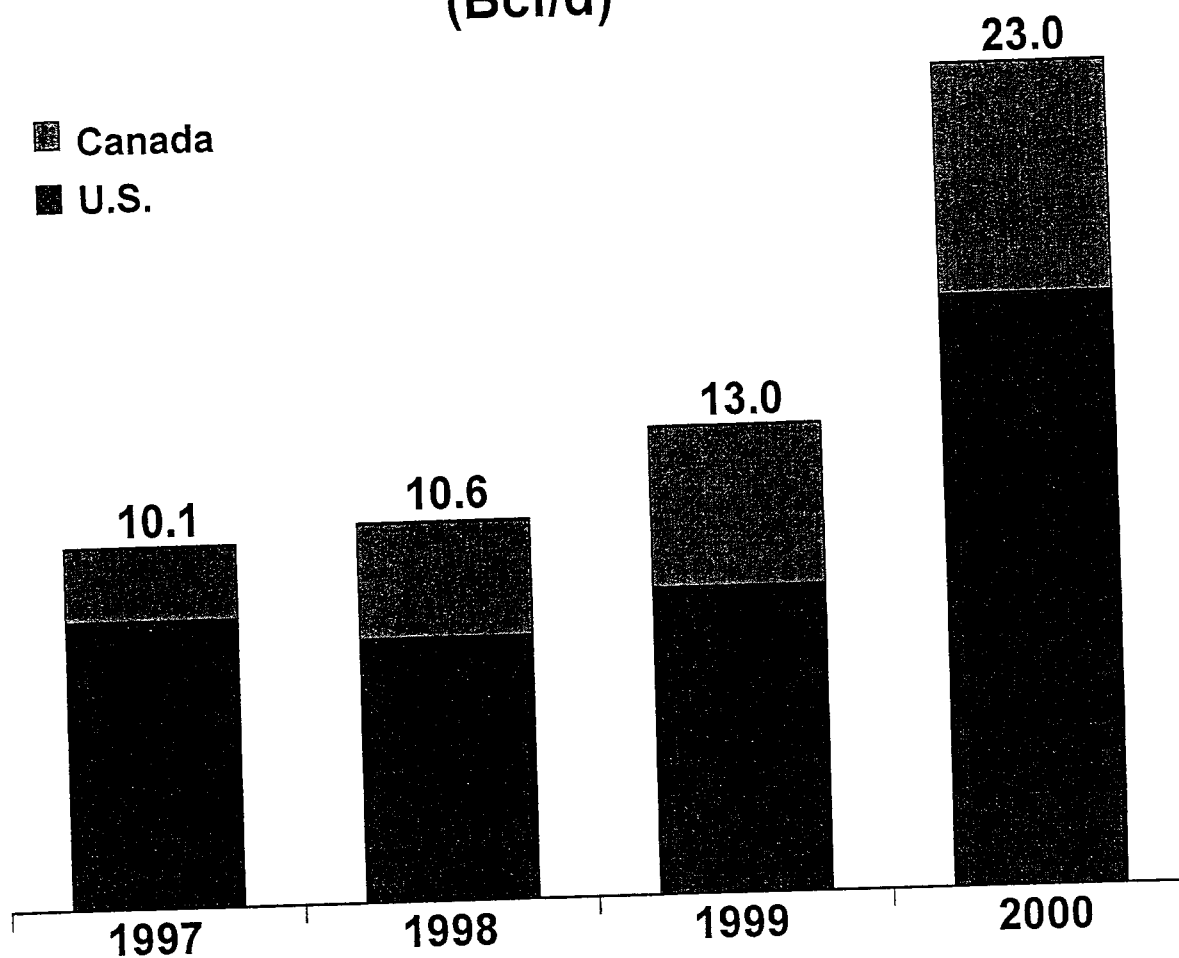


Wholesale Energy Operations and Services



EC004391542

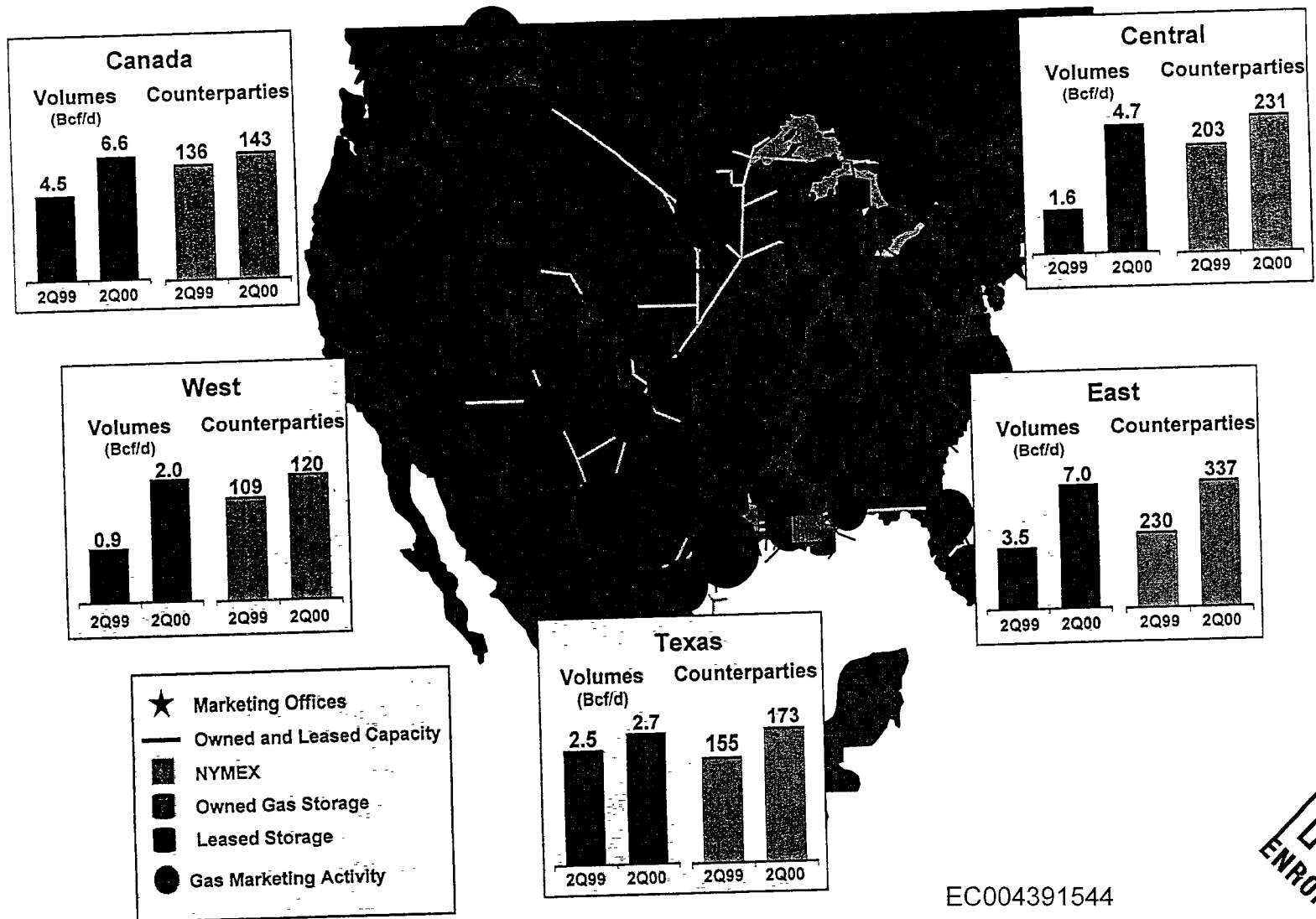
North America Natural Gas Volumes Second Quarter (Bcf/d)



EC004391543



Enron's Wholesale Gas Network



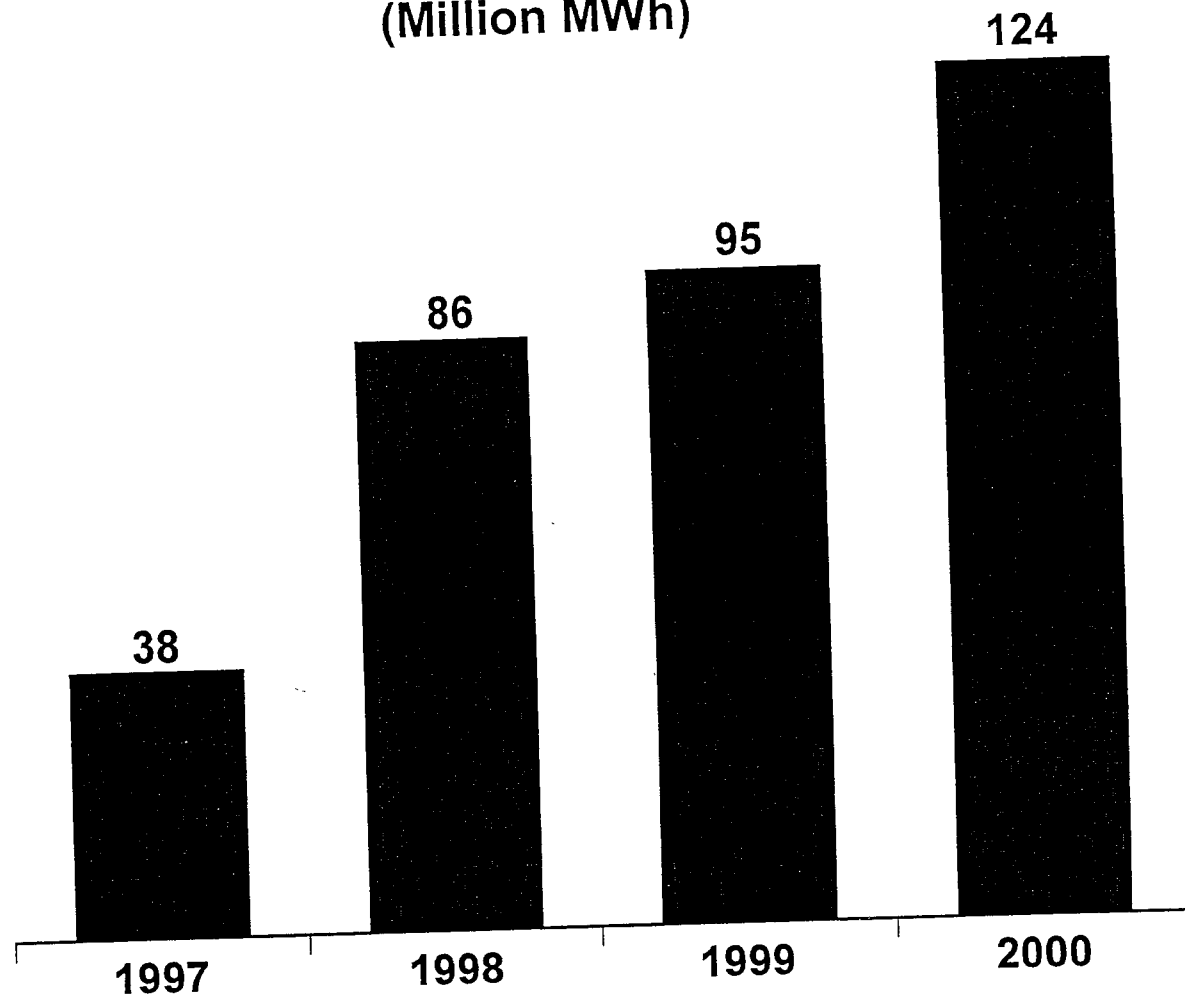
EC004391544



North America Power Volumes

Second Quarter

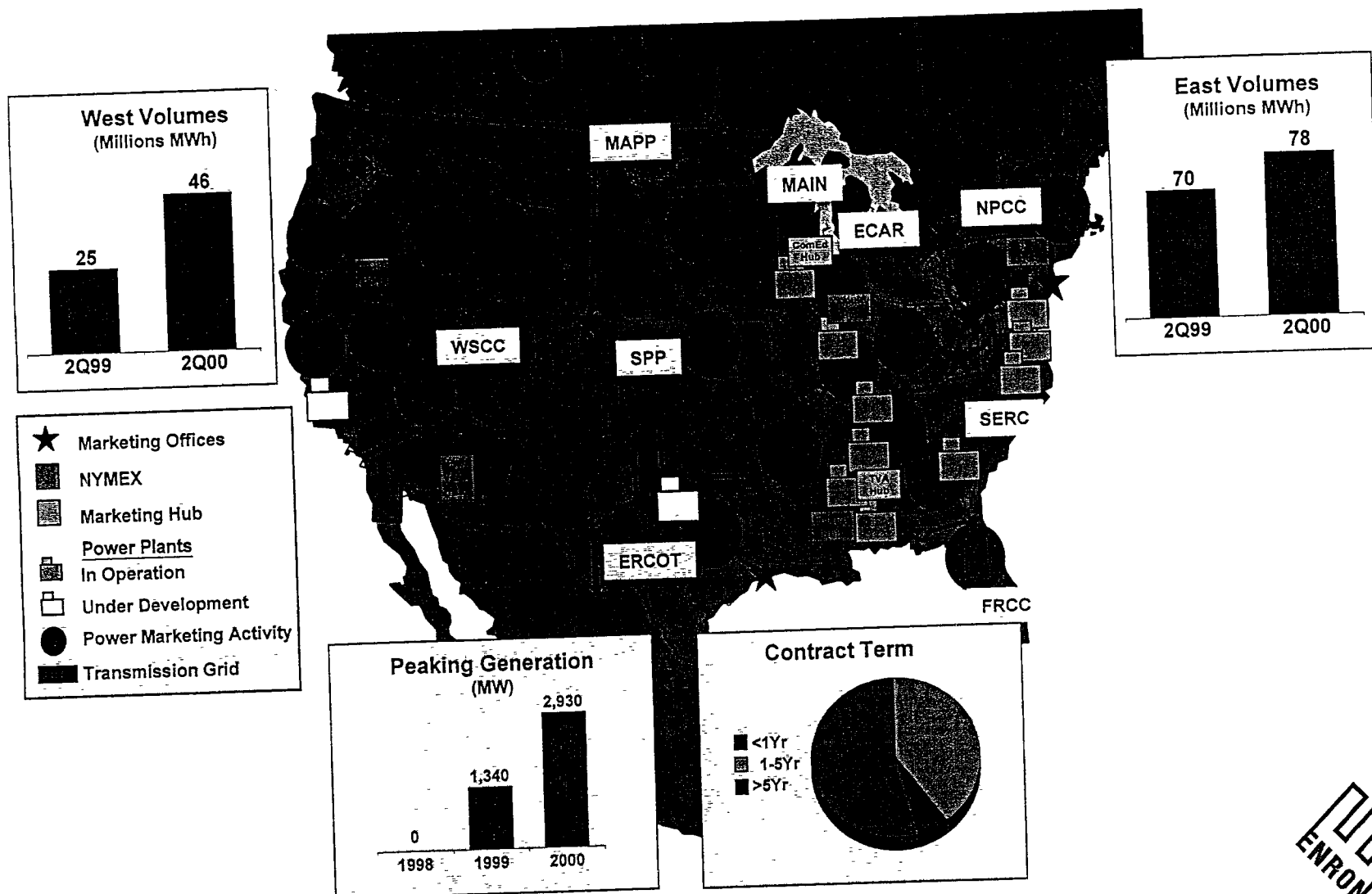
(Million MWh)



EC004391545



Enron's Wholesale Power Network



EC004391546



Regional Valuation Breakdown

	CS First Boston						ENRON RAC		
	CONSOL. COMPCO		ULT. DERIVED EQUITY		DCF EQUITY		VALUE RANGE		
	VALUE RANGE		VALUE RANGE		VALUE RANGE				
	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	BASE	HIGH
(\$ in Millions)									
Region									
Southern Cone			\$3,850	\$4,300	\$3,500	\$3,900	\$1,525	\$2,956	\$4,289
CALME			\$800	\$950	\$900	\$1,100	\$421	\$631	\$945
EGEP			\$600	\$700	\$600	\$700	\$492	\$511	\$533
INDIA			\$750	\$950	\$900	\$1,100	\$612	\$695	\$774
APACHI			\$500	\$600	\$550	\$650	\$581	\$749	\$823
EREC			\$750	\$950	\$550	\$650	\$700	\$907	\$957
Trakya			\$150	\$200	\$150	\$200	\$209	\$209	\$209
Total	\$6,300	\$8,420	\$7,400	\$8,650	\$7,150	\$8,300	\$4,540	\$6,658	\$8,530

NOTE: Valuation does not include regional overhead
 APACHI businesses exclude Hainan and Japanese and Australian trading groups

EC004391547

Valuation

Project Summer Valuation

(Dollars in Millions)	IMPLIED EQUITY VALUE REFERENCE RANGE			AS A MULTIPLE OF 2000 CONSOLIDATED NET INCOME		
	LOW	BASE	HIGH	LOW	BASE	HIGH
CS First Boston Valuations						
Consolidated Compco	\$6,300	-	\$8,420	23.6x	-	28.3x
DCF by Asset	\$7,150	-	\$8,200	27.1x	-	30.4x
Compco/Compacq by Asset	\$7,400	-	\$8,650	27.3x	-	32.4x
RAC	\$4,540	\$6,658	\$8,530	15.9x	23.4x	30.0x

Values as of December 31, 2000.

NOTE: Valuation does not include regional overhead
 APACHI businesses exclude Hainan and Japanese and Australian trading groups
 RAC multiples based upon 2000 plan net income

EC004391548

Valuation

Sale is attractive for the following reasons:

- **Total package solution for assets and employees**
- **Opportunity to consolidate sale into one transaction**
- **Reduces time, effort and resources necessary to sell each business separately**
- **Purchaser assuming significant risk on transfer (except for Elektro)**

Loss and Cash from Transaction

(\$s in millions)

Loss on Transaction		Cash from Transaction	
Proceeds	\$ 6,080	Proceeds	\$ 6,080
Basis	(6,026)	Cash Taxes	<u>(9)</u>
Transaction Expenses*	<u>(344)</u>	Cash Proceeds	6071
Pre-Tax Loss	(290)	Transaction Expenses*	(344)
Tax Benefit	<u>(82)</u>	Payment of Off-Balance Sheet Debt & Min Interests	<u>(1,502)</u>
Net Loss	<u>\$ (208)</u>	Net Cash Proceeds	<u>\$ 4,225</u>

* Includes the fund for benefits, transfer costs, third party fees, and prorata bonuses

EC004391550

Pro Forma Financial Impact

(No Change in Dividend Policy)

	<u>2000</u>	<u>2001</u>	<u>2002</u>
Base Plan			
Earnings per Share	\$ 1.38	\$ 1.59	\$ 1.83
Average Return on Equity	11.7%	12.3%	12.7%
 Scenarios - Use of Proceeds			
Reduction of Debt			
Accretion/Dilution Per Share	\$ 0.00*	\$ 0.01	\$ (0.04)
Average Return on Equity		12.3%	12.4%
 Reinvestment of Funds at 10%			
After-Tax Return			
Accretion/Dilution Per Share	\$ 0.00*	\$ 0.26	\$ 0.20
Average Return on Equity		13.8%	13.5%
 Repurchase of ENE shares at \$75			
Accretion/Dilution Per Share	\$ 0.00*	\$ (0.14)	\$ (0.18)
Average Return on Equity		15.5%	16.8%

* Assumes 4th quarter closing, work-out of transition economics.

EC004391551

Dividend Recommendation

EC004391552

Common Stock Dividend

- Current Dividend Rate - \$.50 Per Share
- Total Dividend Payment (approx.) - \$370 Million*
- Comparable Dividend Yields

Enron Corp.	0.7%
S&P 500	1.1%
NASDAQ	0.2%
“Now 50” Index	0.6%
- Current Payout Ratio - 35%
- Dividend Increased Annually from 1991 to 1998 (About 5% Per Year)
- Total Dividend Payment Increasing as Shares Outstanding Increase Due to Options, Acquisitions, and Offerings.

* Excludes Convertible Preferred (J) Stock Which Will Continue Paying \$17 Million Annually

EC004391553

Current Investor Dividend Perceptions

- **An “Afterthought” for Almost All New Investors**
- **No Negative Investor Reaction to Lack of Increase in Dividend in October 1999**
- **Dividend Cut Will Definitely be Noticed**
- **Informed, Astute Investors Will Understand Action Immediately and Applaud Decision**
- **Individual Investors (including employees) Will be Disappointed, But Not a Likely Impact on Stock Price**

EC004391554

Largest Shareholdings With Some Dividend Sensitivity

	<u>ENE Position (Shares Held)</u>
Morgan Stanley Dean Witter Dividend Growth Securities	5,500,000
Morgan Stanley Dean Witter Utilities Fund	1,364,000
Citibank Global Asset Management (U.K.)	2,300,000
Putnam Fund for Growth & Income	1,060,000
Smith Barney Large Cap Value Fund	3,100,000
Fidelity Equity - Income II Fund	1,925,000
 Estimated Total Shareholders with some Dividend Sensitivity	 10%

EC004391555

Share Repurchase Authorization

- **Current Repurchase Authorization for Up to 5 Million Shares in Place Since Early 1996**
- **Proposal to Increase Repurchase Authorization to 40 Million Shares**
 - **Represents 5.5% of Outstanding Common Shares**
 - **Approximates 40% of Expected 3-Year Employee and Executive Options and LTIP Grants**
 - **Sends Strong Positive Market Signal in Conjunction With Project Summer**
 - **Within Rating Agencies' Tolerances**

EC004391556

Recommendation

- **No Real “Good” Time to Announce Dividend Cut**
- **Take Opportunity to Reduce Dividend Now as a Large Portion of Regulated Businesses (EI & PGN) are Disposed.**
- **Announcing Cut with \$6-7 Billion Cash Proceeds from Asset Sales Will Dispel Any Concerns About a Cash Shortfall.**
- **Recommended Actions:**
 - **Cut Dividend to 5¢ Per Share**
 - **Will Result in Annual Savings of \$350 Million**
- **Communicate Dividend Cut and Increase Share Repurchase Authorization Simultaneously With Announcement of Large Asset Sale**

EC004391557

Use of Proceeds

EC004391558

Summer, Portland General & Dividend Reduction Allocation Options

- **Overview**

Pending transactions will provide Enron with \$6.2 Bln in net cash proceeds:

Sources

(\$s in millions)

Portland General Sale	\$ 1,700
Summer Sale (net of costs and retirement of EI related financings)	4,225
Dividend Reduction	<u>296</u>
Available for Reinvestment	<u><u>\$ 6,221</u></u>

- **Opportunity to Pursue Improved Credit Rating**

EC004391559

Projection Results

Pro Forma 2001

	Plan	Rating	100% Debt Buyback	Rating	Recom- mendation	Rating
Funds Flow/Interest	4.03x	BBB+	7.15x	AA	5.00x	BBB+/A-
Pre-tax Income/Interest	2.78x	BBB+	5.22x	AA	3.68x	BBB+
Funds Flow/Total Obligations	24.5%	BBB+	52.5%	AA+	32.0%	A-
Total Obligations/Total Capital	42.3%	A-	21.2%	AA+	36.1%	A
Implied Rating		BBB+		AA		BBB+/A-

* Recommendation

\$3.3 Bln used to reduce debt

\$2.9 Bln reinvested in operations

EC004391560

Advantages/Requirements for “A-”

- **Advantages**

- Increased counterparty credit capacity
- Reduced liquidity volatility
- Increased balance sheet flexibility
- \$2-3 Bln increase in capital markets capacity

- **Requirements***

- Maintenance of four key ratios:
 - Funds Flow/Interest Coverage Ratio 5.5x
 - Pre-tax Income/Interest Coverage Ratio 4.5x
 - Funds Flow/Total Obligations Ratio 35%
 - Total Obligations/Total Capital 42%

* Standard & Poor's and Fitch. Moody's upgrade will lag 12-18 months due to recent upgrade to Baa1.

EC004391561

Rationale

- **Not clear that the benefits of an upgrade are necessary at this time**
- **Cost is clear:**
 - **Must maintain lower debt level and improve coverage ratios**
 - **There is a trade-off between paying down debt to achieve a higher credit rating and reinvesting the funds to achieve higher earnings per share (\$0.20/share per year impact)**

Note: Assumed \$3.3 Bln reinvested at 15% per annum (pre-tax). Marginal cost of debt assumed to be 7.5% per annum (pre-tax).

EC004391562

Recommendation

- **Maintain BBB+ rating**
- **Reducing debt to \$6.5 Bln gives the Company the option to receive an upgrade if management commits to higher credit standards**
- **If management concludes in the future that an A- rating is not necessary then debt levels could be increased without adversely impacting the rating**

EC004391563